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**U.S. TECHNOLOGIES CEO GREGORY EARLS
CONVICTED ON 22 FEDERAL FRAUD COUNTS**

DAVID N. KELLEY, the United States Attorney for the Southern District of New York, announced today that C. GREGORY EARLS, the Chairman of the Board of Directors and Chief Executive Officer of U.S. Technologies, Inc. ("U.S. Technologies"), was convicted in Manhattan federal court on charges relating to two schemes to defraud investors of more than \$20 million. EARLS was convicted on 22 counts.

USV Partners Fraud

The evidence at trial showed that in his first scheme EARLS defrauded investors of USV Partners, LLC ("USV Partners"), a purported investment company that he controlled, by representing that USV Partners would use funds entrusted by investors to it to purchase the securities of U.S. Technologies, a publicly traded company engaged in prison outsourcing and investments in technology companies. In fact, the evidence showed that, from June 1998 through March 2003, EARLS misappropriated approximately \$13.8 million of the approximately \$20 million entrusted by investors to USV Partners. EARLS used the misappropriated funds for various undisclosed purposes,

including to fund a trust for his children and to repay investors from other business ventures that EARLS had organized prior to USV Partners. The evidence established that EARLS took investor funds from USV Partners and re-invested those very funds in his name or the name of his family's partnership to make it look like he had personally contributed to USV Partners as well.

After inducing investors to entrust funds to USV Partners, EARLS then transferred funds to U.S. Viewing Corporation ("U.S. Viewing"), another company that he controlled, and then caused transfers to be made from U.S. Viewing to various other entities and individuals. To conceal his theft, the evidence showed that EARLS falsified the books and records of USV Partners by, for example, (a) recording \$9.1 million of the transfers from USV Partners to U.S. Viewing as "legal and accounting fees," despite the fact that U.S. Viewing had performed no such services, and (b) recording \$4.7 million of the transfers as a "management fee," despite the fact that the USV Partners' operating agreement furnished to investors expressly prohibited paying any such management fee.

In addition to falsely representing that investors' funds would be used to purchase U.S. Technologies' securities, EARLS also falsely represented to investors (a) the size of his own investment in USV Partners, falsely claiming to be its largest investor, when he was not, (b) that U.S. Technologies held a warrant to purchase stock in gomembers.com, a technology company, worth more than \$20 million, when no such warrant

existed, and (c) that Robert Bass, a prominent businessman from Texas, was an investor in USV Partners, when in fact Bass never invested in USV Partners.

Fresh Direct Fraud

The second scheme involved EARLS's misappropriating more than a million dollars from Fresh Direct, Inc. ("Fresh Direct"), an online grocery store based in Long Island City, New York. In mid-2001, EARLS served as the manager for a round of financing for Fresh Direct. The evidence at trial showed that EARLS failed to forward \$1.3 million of the money that he had raised to Fresh Direct.

The jury convicted EARLS on 1 count of securities fraud, 2 counts of mail fraud, and 18 counts of wire fraud arising from EARLS's scheme to defraud investors in USV Partners, and 1 count of wire fraud arising from EARLS's scheme to defraud Fresh Direct.

Mr. KELLEY praised the efforts of the U.S. Postal Inspection Service for its assistance in the investigation and prosecution of this case.

United States District Judge NAOMI REICE BUCHWALD scheduled August 3, 2004, for EARLS's sentencing. On the securities fraud count, EARLS is facing a maximum penalty of 10 years in prison and a maximum fine of \$1 million, or twice the gross gain or loss resulting from the crime. Each of the mail and wire fraud counts carries a maximum penalty of 5 years in prison and a maximum fine of \$250,000, or twice the gross gain or

loss resulting from the offense.

EARLS, 59, resides in Washington, D.C.

Assistant United States Attorney MEI LIN KWAN-GETT and
Special Assistant United States Attorney WILLIAM J. STELLMACH are
in charge of the prosecution.

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